2/27/86
C5150-2

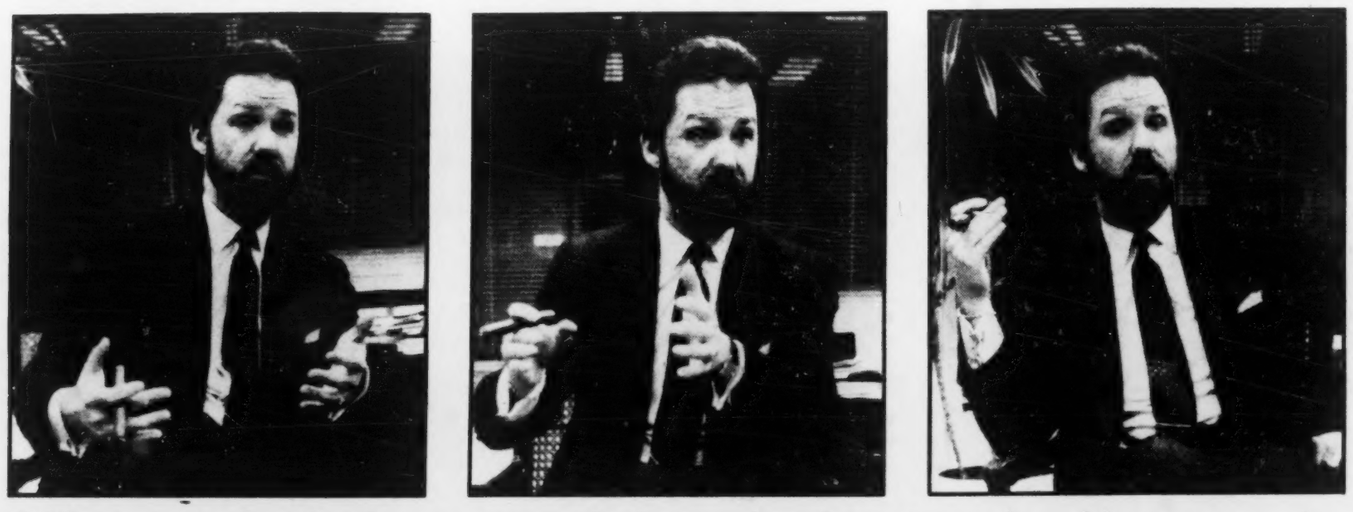
Inside Merchandising
Cough/cold sales spurred by flu epidemics—p. 13

Bernice Kanner
Cat boom escalates feline food sales—p. 36

Inside Pharmacy
FTC study finds generic substitution rising—p. 45

DRUG STORE NEWS

Vol. 8/No. 5 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. March 3, 1986



"We want to be the hometown chain . . . be downtown in a big way . . . to service everyone who lives and works here."

Stephen Hansbrough,
chairman,
Dart Drug Stores

Dart draws '86 battle plan

LANDOVER, Md. — Dart Drug is moving into phase two of its growth plans as a private retailer, using a new downsized 5,000-sq.-ft. prototype to help spearhead advances in the Greater Washington market.

The smaller store is one part of Dart's multipronged efforts to achieve dominance here; it'll enable the chain to tap smaller sites in downtown business centers and densely populated inner city neighborhoods, where traffic is high.

Dart also plans to:

- Expand conventional stores to help cover about three dozen nearby targeted suburban areas throughout the late 80's;
- Start a three-month test of scanning in at least two stores by mid-'86, with an eye toward chainwide implementation by mid-'88;
- Reassert its strength as a seasonal retailer and a discounter, while building up its everyday H&BA, prescription and housewares departments;
- Upgrade automotive and extend hard cover book busi-

*See **Dart**, page 54*

Merger to create $500M war chest for FoxMeyer

By Al Heller

DENVER — FoxMeyer will re-enter the acquisition arena armed with as much as $500 million fresh cash—and possibly more—from National Intergroup (NI), following a planned nine-month respite to absorb recent drug wholesaling takeovers.

The wholesaler that tore up the track the past three years building Midwest market share through buyouts will be a more formidable prowler when it emerges from its moratorium. This plan doesn't affect its buyout of Beaumont, Tex.-based Jefferson Drug, which was due to be concluded in February.

NI's $350 million takeover of FoxMeyer appeared imminent at presstime, as NI set plans to restructure itself in 1986 and prepare to use FoxMeyer as its primary growth vehicle.

NI will funnel its abundance of cash to FoxMeyer, Peter Love, NI chairman, and William Tauscher, FoxMeyer chairman, told a closed session of security analysts in New York at presstime.

NI currently has cash and other equivalents of $280 million, divestitures under way worth another $125 million and is counting on a $100 million annual cash flow from Permian, its oil distribution subsidiary. On top of that, Love indicated a willingness to divest more than $500 million worth of steel and aluminum business.

"It's more money than we can spend," Tauscher told *Drug Store News* at the meeting.

The buyout will obviously keep FoxMeyer's acquisition-based growth plans on a fast track, but that still didn't prevent many analysts and wholesalers from being surprised by the deal.

No one ever expected Tauscher, 36, to be the prey. Some consider that the hunter got snared—with honey.

"We sought NI as much as they sought us," Tauscher

*See **FoxMeyer**, page 54*

Foodtown adds pharmacy for margin enhancement

ELIZABETH, N.J. — Lured by an attractive bottom line, Foodtown has joined the growing number of food retailers making a commitment to pharmacy.

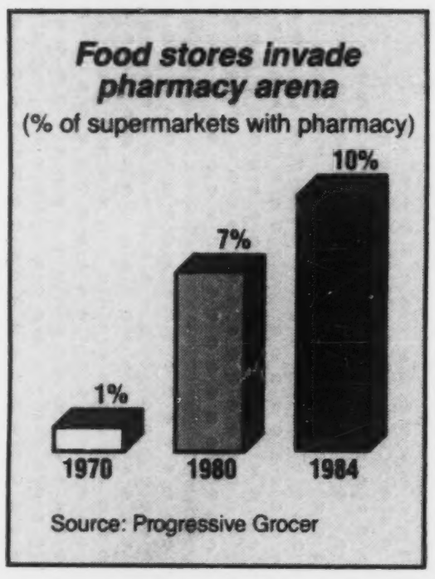
New Jersey-based Mayfair Supermarkets Inc., owner of 32 Foodtowns, installed a prototype 400-sq.-ft. pharmacy in a 40,000-sq.-ft. store in South Plainfield, N.J., early last month. Although the department accounts for only 1% of the store's selling space, the chain expects it to generate up to 4% of its sales volume.

Three to four new Foodtowns will open this year and all will have pharmacies. In addition, the department will be added to all newly remodeled stores.

To assure a smooth transition into the combo format, Mayfair lured seven-year Rite Aid veteran Ken Hammond to direct its pharmacy operations. Hammond formerly supervised Rite Aid's operations in New Jersey.

Last year, Mayfair racked up $360 million in sales, with

*See **Foodtown**, page 52*



Nation's drug retailers act fast to remove Tylenol from shelves

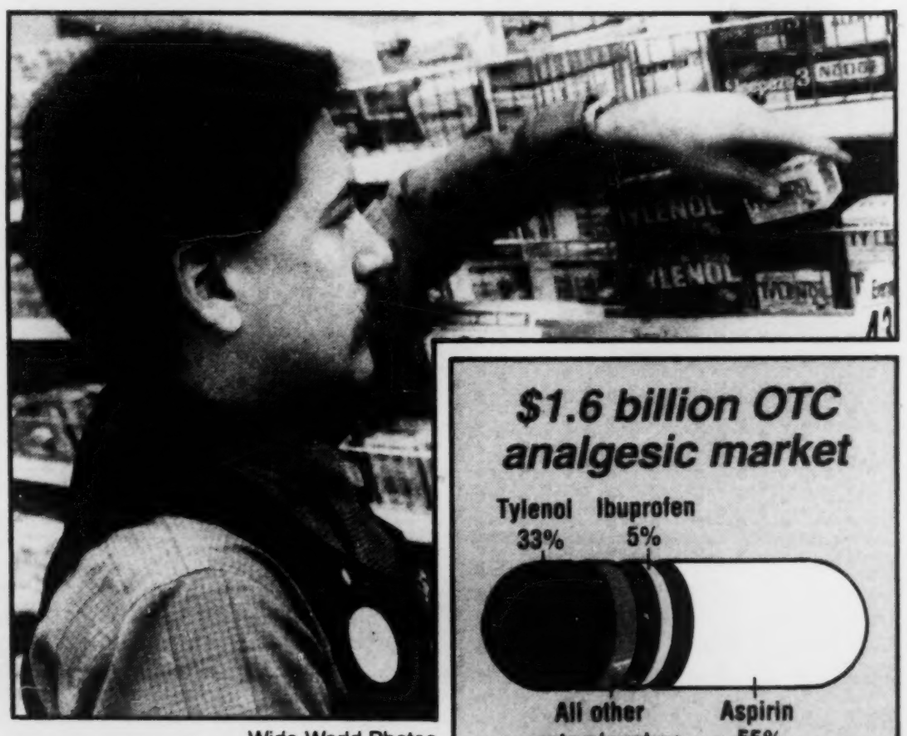
By Marjorie Shaffer

NEW BRUNSWICK, N.J. — The nation's drug retailers responded immediately to the report that a 23-year-old Peekskill, N.Y., woman died after taking a cyanide-laced Extra Strength Tylenol capsule by removing the popular analgesic from the shelves.

In some instances, all Tylenol packages were removed within 45 minutes after a voluntary recall was enacted by the drug chains.

Five days later, the FDA discovered a second bottle of tainted capsules from a different lot number in a Westchester County, N.Y., store near where the first lethal bottle was purchased.

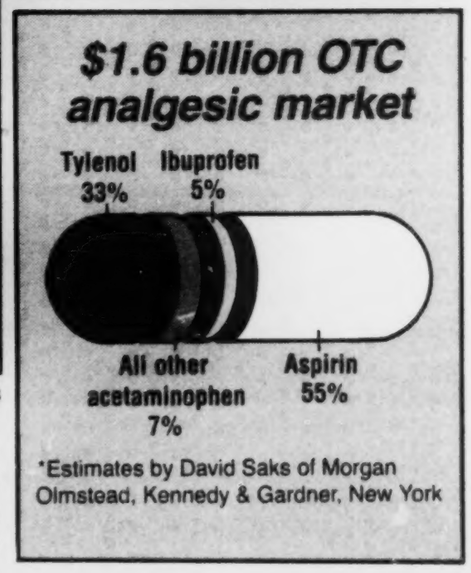
Earlier in the week, police investigators had called the cyanide-laced capsules an "isolated incident," but with the discovery of more poisoned Tylenol, Johnson &



Wide World Photos

Johnson, whose McNeil subsidiary manufactures the painkiller, issued a nationwide

*See **Tylenol**, page 52*


$1.6 billion OTC analgesic market
Tylenol 33%
Ibuprofen 5%
All other acetaminophen 7%
Aspirin 55%
*Estimates by David Saks of Morgan Olmstead, Kennedy & Gardner, New York

Optimal biz strategy stresses retail automation See page 38

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Justice Dept. closes in on 40 drug diverters

ATLANTA — The Justice Department will file charges against 40 more drug industry individuals and corporations in its continuing investigation into illegal diversion schemes, according to a Federal task force lawyer.

The new charges will be announced "within weeks" and will name persons through all levels of the distribution industry, including wholesalers and hospital employees, doctors and pharmacists, said Gale McKenzie, assistant U.S. Attorney in Atlanta, who is leading the probe by the FBI and the Atlanta U.S. Attorney's office.

McKenzie said the new charges allege diversion, adulteration, and misbranding of drugs against parties throughout the country. But she declined to say if the latest arrests will close out what has already been the nation's most extensive drug diversion probe.

McKenzie also declined to say whether new arrests will be made at Bindley Western Industries Inc. The Indianapolis wholesaler has had four former employees charged and sentenced, and is working with Federal authorities in a continuing Federal grand jury diversion investigation in Indianapolis, according to Bindley Western's board chairman William Bindley.

Closing the book on the last of Bindley Western executives who have pleaded guilty to illegal diversion activities, a federal judge Feb. 6 sentenced former executive vp Jack E. Laughner to five years in an Indianapolis medical treatment center. McKenzie said Laughner "has a medical problem," and requires a doctor's care.

The new charges will make 94 persons and corporations that have been accused or convicted since federal agents broke open a nest of diversion scheme activities with the initial arrest of 43 parties in August. Officials said at that time that at least 40 more parties were under investigation.

Bindley Western has withstood the shock that resulted from the diversion controversy, although the company bore the brunt of media attention, since it is one of the largest firms under investigation, and many top officers were involved, chairman Bindley told *Drug Store News* recently.

Bindley said he isn't free to comment on the impact the scandal has had on the company or to elaborate on the measures the company has since taken in investigating the scope of diversion activities, and in restructuring management and operations, until the government finishes its work.

"We are cooperating with the government in connection with their probe of Bindley Western, and in other areas," Bindley said.

But Bindley said the company has become less preoccupied with the investigations. It s restructuring of management, which includes filling vacant positions, and a somewhat modified structure, is nearly complete. Also nearing conclusion is a study by a management consulting group affiliated with one of the Big 8 accounting firms which has focused on operations. Bindley's own internal probe into diversion activities initiated last year, meanwhile, is "pretty well wrapped up," Bindley says.

While declining to discuss results of the in-house probe, Bindley said he expects no further arrests of employees, and feels the company's problems are largely over.

NEWS IN BRIEF

American ends deep discount test

SALT LAKE CITY — American Stores closed the books on its experiment in deep discounting with the shuttering of its second FAD (Food and Drug at Discount) store earlier this month. The 20,000-sq.-ft. store was the former site of Skaggs Home Center.

Trump to retain Northwestern Drug

SEATTLE — The Trump Group has removed the "for sale" sign from its Northwestern Drug wholesaling division.

Drug Store News has learned that FoxMeyer came close to acquiring Northwestern last December. "They had reached the point where they were comparing the compatibility of their computer systems," said an inside source, "but they had not yet drafted" any purchase agreements.

Walgreen elects 3 board directors

CHICAGO — Three new directors have been elected to the Walgreens Board of Directors. With the retirement of two ex-board members, Walter E. Cohen and William C. Musham, the three new appointees now bring the Walgreens Board to a total of 10 members.

The new appointees are: Theodore Dimitriou, 59, chairman, president and ceo of Wallace Computer Services, a computer supplies company based in Hillside, Ill.; James J. Howard, 50, president and coo of Ameritech, the Chicago-based parent of Midwest Bell; and John J. Louis Jr., 60, chairman of Butler International's executive committee. From 1981 through 1983, Louis was also the United States Ambassador to the United Kingdom.

INDEX

Beauty Beat 10
Classified 54
Editorial 4
Eye on the Marketplace 35
Financial 6
Focus on People 40
Inside Merchandising 13
Inside Pharmacy 45
People in the News 8
Product Update 28
Rx/OTC Product Update 42
Technology Today 38

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Vol. 8, No. 5 March 3, 1986

Compact Video attempts to buy Adams Drug from Pantry Pride

PAWTUCKET, R.I. — Compact Video is negotiating to buy Adams Drug from Pantry Pride, in an attempt by MacAndrews & Forbes to reshuffle its assets. MacAndrews & Forbes holds controlling interests in both companies.

The drug chain's management and growth plans will remain intact, whether or not a deal takes place, said Adams Drug president and ceo William Sudhaus. He outlined those plans in a recent exclusive interview with *Drug Store News*. (See Feb. 3, 1986 issue, p. 1.)

No figures for Adams' possible sale had been fixed at presstime, but Pantry Pride paid $100 million for the 417-store chain 16 months ago.

A sale would thrust Adams into the spotlight at Compact Video, which would use the drug chain as its primary growth vehicle, according to sources close to both companies. Adams was a minor factor at Pantry Pride, but would be the essential element in transforming Compact Video from a $41 million company into a $400 million-plus annual enterprise. Compact is concurrently seeking to buy Vid-America, another MacAndrews-controlled company, for less than $5 million.

There are no apparent synergies between a drug retailer and a video services firm, but MacAndrews' successful track record has been built on diverse businesses—licorice, chocolate and cigars, and now video and retailing.

Financier Ronald Perelman, who controls MacAndrews, "builds companies. He and his top team are among the smartest people I've come across," said Daniel Offen, vice president-research at Herzfeld & Stern.

He believes Perelman is "intent on building another large entity. Compact will be it, and Adams will be its focal point." He added that Adams' more visible tie-in with Wall Street personality Perelman might ease the drug chain's access to outside financing to help implement such programs as possible acquisitions, improved site selections and computer systems development.

Offen added that Perelman's historic strategy has been to strengthen management ranks at companies on which it focuses, and that could happen at Adams.

Sources close to Pantry Pride denied the company might sell Adams simply to help pay down debt attached to the Revlon takeover. They said a more logical reason would be to eliminate any appearance that Adams might be buying Revlon products at favorable prices.

Pay Less builds bantam Key unit

8,100-sq.-ft. Myrtle Creek, Ore. store to open in May

WILSONVILLE, Ore. — Pay Less NW, which operates six Key Drugs in three Western states—all acquired from independent operators—will open its first built-from-the-ground-up bantam in Myrtle Creek, Ore., in May.

Myrtle Creek is 17 miles south of Roseburg and 177 miles south of Portland, with a trading area of 15,000.

The store will be 8,100 sq. ft. overall, and includes 7,400 sq. ft. of sales space.

The location is a strip center anchored by a supermarket and variety stores; two independent drug stores nearby provide the only competition.

The layout, adjusted for the configuration of the building, has cosmetics on the left, adjoining pharmacy. Audio-visual is in the right front corner, with housewares on the right wall. Greeting cards are in an alcove in the rear. There is a dual checkstand centered at the front.

K mart, Pay Less NW's expansion-minded parent, is pushing for more Key Drug stores (ranging from 6,000 to 10,000 sq. ft.). A Pay Less exec told *Drug Store News:* "K mart is desirous of progressing rapidly. They'd be happy if we could open 20 next week."

However, locations aren't that easy to come by. "The good independents don't want to sell, and we're not interested in the bad ones," the executive said. "Also, small chains in our size bracket who are willing to sell are difficult to find."

What does Key look for? Basically, adequate parking, a population draw of 5,000 to 10,000 people and a grocery store in the vicinity to pull traffic.

What differentiates Key Drug stores from similar types of convenience stores-with-pharmacy (such as the new Thrifty Jr.) is that the Key pharmacist is also the store manager. By having the store manager/pharmacist spend half his time filling scripts, the store can fill almost as many as a conventional Pay Less, which employs an average of two and a half pharmacists. Thus, the labor saving is substantial.

Each Key store is projected to do $35,000 a week, and the mix is adjusted to size and locale. For example, the Freewater, Ore., store (8,000 sq. ft. overall, 6,000 selling) has eliminated the following departments found in the first and largest Key in Sequim, Wash. (17,000 overall, 11,200 selling): records, sporting goods, shoes, automotive and hardware.

Key's basic marketing plan is to invest as little as possible in the changeover of an acquired store so that the unit will show a profit within a relatively short time—six months to a year. This compares with up to three years for a conventional, 30,000-sq.-ft. Pay Less.

What also differentiates Key's merchandising program from a Pay Less is that Key isn't ad driven. Thus, Key has fewer loss leaders in consumables.

FINANCIAL

Med Shoppe profits increase 14%

ST. LOUIS — Medicine Shoppe, the nation's largest pharmacy franchiser, reported that net earnings for the first quarter ended Dec. 31 increased 14% to $800,282, or 23¢ a share, from $701,426, or 20¢ a share, the previous year.

Revenues for the quarter, consisting primarily of franchise fees from 583 drug stores in 47 states, increased to $3.97 million from $3.35 million.

The company reported that the fiscal first quarter ended with a backlog of 174 signed franchise agreements, compared with 107 in the corresponding year-earlier period.

Medicine Shoppe also said that total sales by all franchised pharmacies showed a quarter-to-quarter increase of 21%.

Med-Glaser net income declines

ST. LOUIS — Medicare-Glaser reported that net earnings declined in the third quarter ended Dec. 31 to $92,000, or 3¢ a share, from $380,000 or 13¢ a share in the same period a year ago.

Sales for the quarter were up only 1.7% to $22.6 million.

Harlan Steinbaum, president and ceo, said that general merchandise sales in December were below expectations as a result of a soft economy and an "increasingly competitive environment."

For the nine months, Medicare-Glaser reported a loss of $213,000 or 7¢ a share, compared to a profit of $661,000, or 22¢ a share, in the year-earlier period.

Sales for the nine months totaled $64.6 million.

Begley stock rises

RICHMOND, Ky. — Reacting to a positive earnings report for the first nine months of the fiscal year, Begley Company's stock rose more than seven points in four days last month before falling back slightly.

The stock climbed from $16.25 on Feb. 5 to $23.50, a high for the year, on Feb. 11, after the company reported third-quarter earnings of $738,439, or $1.34 a share, a gain of 35%. Sales and other revenues for the period increased slightly to $19.5 million from $19.2 million.

Earnings for the nine-month period were $869,600 an increase of 35.8% over last year's $640,600. Sales for the period were $54.9 million, up 9.4% over last year's $50.2 million.

Don Snyder, Begley executive vp-treasurer, attributed the earnings increase to "expense controls."

He said that lower salaries and operating expenses and a "better mix" of higher gross products "are finally paying off."

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION				
		From 01/24/86 - 02/10/86							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin					Last Fiscal Year			Last Fiscal Year (Per Share)	
					Change		52-Week						Last Fiscal Year					Latest P/E Ratio	Indicated Dvd. rate		Last X-Dvd. Date			Current Ratio	Long Term Debt	Common Stock Equity
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days		Amt.	Pct				Amt.	Yield		Revenue	Earnings			
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																										
Am Stores	ASC	67.25	62.75	66.88	3.88	6.15	68.25	48.63	.01	.04	.52	21.90	5.71	.86 N	19.5	34.0	1.5	12.7	.84	1.3	12-09-85	12118.8	185.5	1.2	37.93	21.40
Begley Co	BGLY	22.00	16.25	22.00	5.75	35.38	22.00	15.50	.23	7.20	10.98	82.08	1.26	.12 S	9.9	5.0	1.1	16.5	.72	3.3	01-14-86	66.1	.7	1.7	13.77	18.84
Big B	BIGB	16.00	15.50	16.00	.63	4.07	19.50	13.00	-.03	-.08	-3.55	33.33	.68	.11 N	18.0	19.0	3.0	22.2	.00	.0	09-21-83	148.1	4.4	2.3	1.20	4.58
Drug Sys	DRGS	5.00	4.88	4.88	-.25	-4.88	6.13	3.75	.02	-.33	-6.18	23.68	.35	-1.02 N	-100.0	NC	1.2	NE	.60	12.3	05-09-85	104.7	1.3	3.2	1.13	6.18
Eckerd, Jack	ECK	31.00	27.88	30.50	-.25	-.81	32.25	20.00	-.14	.44	-4.04	19.86	-.22	-2.61 Q	-100.0	NC	-.3	NE	1.04	3.4	09-09-85	2508.5	-8.3	1.6	2.64	14.49
Fay's Drug	FAY	10.13	9.38	10.13	.25	2.53	12.13	8.00	.37	.77	-.06	17.94	.62	-.32 N	-48.5	30.0	2.4	29.8	.20	2.0	03-21-86	366.7	8.7	1.8	1.65	4.28
Genovese Drug	GDX	13.75	12.75	13.00	-.50	-3.70	14.88	9.13	.39	-.12	-3.02	3.61	1.03	-.09 N	-8.7	41.0	1.9	13.7	.20	1.5	09-24-85	220.3	4.1	1.7	2.06	5.73
Longs Drg Strs	LDG	31.25	29.50	31.25	1.63	5.49	32.00	24.00	-.06	-.25	-1.30	-12.43	1.88	.10 N	5.5	10.0	2.9	16.2	.72	2.3	08-27-85	1375.8	40.1	2.1	.00	12.23
Medicare Glaser	MGCO	4.50	4.00	4.50	.50	12.50	6.00	4.00	-.07	-1.45	-3.28	-32.76	.05	-.49 N	-100.0	NC	.2	NE	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52
Medicine Shoppe	MSII	23.25	21.75	23.25	.63	2.76	26.00	21.00	-.33	1.17	8.86	10.46	.84	.16 Q	22.5	49.0	22.4	26.7	.00	.0	00-00-00	13.4	3.0	9.2	.00	5.08
Perry Drug	PDS	17.38	16.00	17.00	.50	3.03	18.75	11.19	-.13	.38	-1.73	2.81	.98	.14 F	16.7	16.0	1.8	17.3	.19	1.1	09-11-85	521.6	9.6	1.5	1.60	7.07
Revco Drug	RDS	27.88	26.00	27.50	.13	.46	29.50	23.13	-.07	-.36	-4.44	-3.64	1.06	-1.50 S	-65.2	-5.0	1.6	34.4	.80	2.9	08-19-85	2395.6	38.9	1.7	1.22	12.48
Rite Aid Corp	RAD	27.50	24.88	27.38	2.38	9.50	33.50	21.50	.04	1.15	-3.84	12.94	1.69	-.11 N	-6.7	8.0	4.8	17.8	.58	2.1	01-13-86	1445.7	69.9	1.9	2.02	8.58
Thrifty Cp	TFD	24.88	23.50	24.63	.75	3.14	25.38	18.13	-.17	.61	.79	18.77	1.60	.19 Q	13.3	16.0	2.3	15.2	.64	2.6	02-04-86	1404.9	31.9	1.7	5.86	6.85
Walgreen Co	WAG	27.88	25.50	27.63	2.00	7.80	30.25	22.50	-.09	.48	-.33	-5.02	1.53	-.39 Q	-23.1	19.0	3.0	21.3	.50	1.8	02-11-86	3161.9	94.2	1.8	1.17	7.83
Wholesaler's transactions																										
Bergen Bruns	BBCA	33.38	31.41	33.38	1.59	5.01	33.38	21.41	.13	.04	1.39	-18.80	1.82	.25 Q	15.9	15.0	1.0	18.3	.32	1.0	01-28-86	2434.9	24.2	1.7	11.12	12.07
Bindley Wstn	BIND	10.38	9.88	10.38	.38	3.75	15.00	7.75	.11	.19	-1.00	24.41	.73	.15 N	23.4	23.0	.8	13.1	.00	.0	05-01-85	566.7	4.7	1.4	.08	5.46
Cardinal Distrb	CDIC	20.38	19.50	20.25	.50	2.53	20.38	14.53	.06	.73	2.94	32.04	1.01	.21 S	23.1	NC	1.2	18.1	.08	.4	01-02-86	320.0	3.7	1.7	.94	8.85
Durr Fillauer	DUFM	13.00	12.38	13.00	.25	1.96	15.25	9.25	-.07	.68	1.30	21.24	.74	.07 N	9.9	14.0	1.7	16.7	.14	1.1	07-01-85	341.7	5.8	2.3	1.21	6.05
Foxmeyer Cp	FXM	34.63	23.63	34.50	10.88	46.03	34.63	20.75	.96	8.55	12.30	39.88	1.56	.02 S	1.3	26.0	1.3	22.0	.00	.0	00-00-00	717.1	9.0	2.8	17.31	16.51
Ketchum	KCH	22.13	20.75	20.75	-1.38	-6.21	23.25	14.06	-.10	-1.05	-7.33	-15.15	.56	.14 S	35.0	NC	.2	38.4	.00	.0	09-23-85	273.7	.6	1.4	7.87	7.52
McKesson Cp	MCK	54.88	50.63	54.88	4.13	8.13	54.88	37.63	.07	.01	.38	5.39	3.60	.38 N	10.9	-1.0	1.3	14.1	2.40	4.4	11-25-85	4887.1	65.0	1.5	12.99	30.40
Moore Med	MMD	20.25	18.63	19.75	-.38	-1.86	23.38	9.66	-.66	.84	4.32	7.42	1.02	.45 N	47.4	18.0	2.9	14.1	.00	.0	05-23-85	115.4	3.3	3.3	2.45	5.25
Owens & Minor	OBOD	17.50	17.25	17.38	.00	.00	18.38	9.50	-.21	-.46	-7.74	2.27	.95	.23 N	26.1	16.0	1.2	15.7	.28	1.6	09-10-85	306.7	3.6	3.0	5.35	8.54
Manufacturer's transactions																										
Abbott Labs	ABT	69.63	63.38	68.88	4.13	6.37	72.00	46.75	-.04	-.49	.77	2.67	3.88	.54 F	16.2	18.0	13.8	17.8	1.40	2.0	01-09-86	3360.3	465.3	1.9	3.91	13.33
Am Home Prod	AHP	69.50	63.63	69.38	5.50	8.61	69.50	54.75	.29	-.15	.47	6.39	4.70	.31 F	7.1	11.0	15.3	14.8	3.10	4.5	02-07-86	4684.7	717.1	3.4	.26	13.74
Baxter Travenol	BAX	16.25	15.13	15.38	-.75	-4.65	16.88	12.38	-.08	-1.15	-2.40	-6.51	.21	-1.06 N	-82.8	-25.0	1.6	69.9	.37	2.4	12-09-85	1800.4	29.0	1.6	1.46	7.83
Block Drugs Co	BLOCA	23.50	22.00	23.25	.75	3.33	23.50	14.81	.33	.59	-2.63	-6.69	1.70	.22 N	13.6	12.0	10.5	12.6	.49	2.1	12-03-85	247.8	25.9	2.4	1.59	10.91
Bolar Pharm	BLR	16.50	14.50	16.38	1.50	10.00	22.63	12.00	-.46	.71	-1.48	9.98	.61	.10 N	17.2	22.0	18.2	24.1	.03	.2	08-06-85	29.1	5.3	7.5	.00	3.70
Bristol-Myers	BMY	64.88	60.75	64.00	1.13	1.79	68.50	53.38	-.24	-.36	2.51	-8.77	3.86	.41 F	11.9	14.0	12.0	16.6	1.88	2.9	09-30-85	4444.0	531.4	2.5	.75	15.63
Carter-Wallace	CAR	57.50	50.88	53.63	-1.88	-3.38	57.50	30.50	.36	-.84	1.16	-6.45	2.66	.86 N	32.8	21.0	5.9	15.4	.60	1.1	11-01-85	348.8	20.7	2.2	1.53	23.37
Forest Labs	FRX	30.88	28.38	30.00	1.25	4.35	32.50	17.38	.16	-.61	-1.09	-21.31	.73	.40 N	70.2	16.0	17.4	30.9	.00	.0	01-14-83	24.1	4.2	4.5	.22	5.90
ICN Pharm	ICN	14.88	12.38	14.13	.88	6.60	14.88	8.50	.03	-.67	-1.34	-18.67	.00	-.12 N	-85.7	NC	1.6	NM	.00	.0	00-00-00	44.8	.7	3.0	2.43	4.50
Key Pharm	KPH	13.50	10.63	12.88	2.00	18.39	13.50	7.13	.48	2.07	5.73	5.88	.61	-.21 N	-33.9	47.0	14.6	31.4	.00	.0	09-09-85	151.1	22.1	3.4	2.52	1.60
Lilly Eli Co	LLY	57.75	51.31	55.88	4.13	7.97	57.75	36.19	-.07	-1.18	-1.13	11.76	3.38	.26 N	7.7	10.0	15.8	15.4	1.80	3.2	02-07-86	3109.2	490.2	1.7	.81	15.52
Lee Pharm	LPH	12.75	9.88	12.38	2.50	25.32	12.75	4.63	1.32	2.60	.00	3.39	.40	.17 Q	70.8	NC	6.6	30.2	.00	.0	00-00-00	12.2	.8	3.1	.00	2.49
Leiner P Nutri	PLIN	12.75	12.00	12.75	.63	5.15	14.38	8.25	.65	1.44	-4.63	54.55	.78	-.27 S	-31.4	NC	4.1	21.6	.00	.0	00-00-00	53.6	2.2	2.5	.00	4.90
Marion Labs	MKC	60.25	51.00	58.25	7.38	14.50	60.25	26.00	.92	1.02	-1.21	7.60	.94	.42 S	55.3	38.0	12.2	49.4	.36	.6	12-16-85	295.7	36.2	2.1	.00	4.17
Merck & Co	MRK	144.00	135.00	143.13	7.75	5.72	144.00	97.38	.01	-.43	-2.26	-7.85	7.58	.87 F	13.0	7.0	15.2	18.9	3.60	2.5	12-03-85	3547.5	539.9	2.0	2.48	35.29
Morton Thiokol	MTI	37.50	30.00	34.00	-2.50	-6.85	40.50	28.13	-.59	.31	7.82	-18.48	2.50	.37 S	16.0	22.0	6.7	12.7	.70	2.1	11-18-85	1832.3	122.8	1.8	3.25	15.00
Mylan Labs	MYLN	17.75	16.00	16.00	-1.25	-7.25	26.00	13.50	-.15	-1.35	-1.01	-.44	.52	.41 N	100.0	71.0	23.3	19.5	.05	.3	02-19-85	53.6	12.5	5.9	.09	1.22
Newport Pharm	NWPH	12.63	11.25	11.63	-1.00	-7.92	14.50	5.50	-.50	-1.61	.47	18.57	.05	.00 S	NE	NC	6.7	NE	.80	6.9	05-23-85	9.0	.6	3.2	.21	.96
Par Pharm	PARP	16.25	14.75	14.75	-1.50	-9.23	23.25	11.19	-.34	-1.53	-2.82	31.07	.47	.00 F	.0	83.0	14.1	31.4	.00	.0	00-00-00	21.3	3.0	2.2	.92	2.33
Pfizer Inc	PFE	50.75	46.25	50.38	3.38	7.18	56.25	37.63	-.20	.39	1.66	13.14	3.44	.36 F	11.7	16.0	14.4	14.6	1.64	3.3	01-27-86	4024.5	579.7	2.3	2.10	15.45
Reid Prov Labs	REID	7.50	5.88	7.50	1.63	27.66	7.50	4.00	.26	5.13	-4.84	40.61	.13	.06 S	46.2	28.0	6.0	39.5	.04	.5	12-10-84	16.6	1.0	3.1	.02	.92
Robins, AH	QRAH	15.63	13.38	13.50	-1.13	-7.69	23.50	5.50	.78	-1.36	-1.48	-24.02	2.53	20.97 F	NE	NC	8.7	5.3	.00	.0	11-19-84	706.1	61.4	1.7	.47	-5.23
Rorer Group	ROR	36.75	32.50	33.88	-2.75	-7.51	47.00	28.25	-.33	-.58	-1.26	-8.38	2.08	-.04 N	-1.9	4.0	8.5	16.6	1.12	3.3	11-04-85	522.1	44.3	1.9	2.18	11.07
Scherer RP Co	SCHC	16.50	15.75	16.38	.88	5.65	16.50	9.50	.33	.24	3.34	-1.86	-.43	-.96 S	-100.0	NC	-2.0	NE	.32	2.0	12-09-85	167.4	-3.4	1.7	4.07	9.72
Squibb Corp	SQB	83.75	79.00	81.13	2.75	3.51	85.00	51.13	-.06	-.93	.60	.34	3.68	.46 N	12.9	21.0	10.5	20.1	1.76	2.2	11-08-85	1886.0	197.2	2.3	3.74	24.87
Sterling Drug	STY	41.50	38.00	40.88	2.75	7.21	41.50	27.25	.20	.41	-.36	4.01	2.37	.13 N	5.6	4.0	7.8	16.6	1.20	2.9	11-07-85	1827.3	143.4	2.6	1.32	15.34
Syntex Corp	SYN	49.25	41.50	48.88	7.50	18.13	49.25	26.94	.20	-.31	.17	-17.15	2.33	.55 Q	27.5	15.0	15.8	19.2	1.20	2.5	12-16-85	948.5	150.0	2.1	2.68	9.40
Thompson Med	TM	15.25	14.00	14.63	.13	.86	18.38	11.75	-.04	-.22	-3.02	-7.75	2.20	-1.04 N	-46.0	15.0	10.8	12.0	.40	2.7	12-23-85	197.2	21.2	4.3	.00	7.09
Upjohn Co	UPJ	136.00	128.88	134.13	5.38	4.17	141.50	73.00	.06	-.08	-2.90	9.53	5.67	.39 N	6.9	1.0	8.0	22.1	2.80	2.1	01-03-86	2179.1	173.3	1.7	12.47	37.00
Warner-Lambrt	WLA	49.00	45.00	46.50	.50	1.09	49.38	33.75	-.12	-.36	-2.04	-14.16	2.81	.27 N	9.7	7.0	7.1	15.3	1.56	3.4	11-04-85	3166.7	223.9	1.7	6.47	18.18
Zenith Labs	ZENI	22.25	20.25	20.25	-1.75	-7.95	29.50	9.25	-.26	-1.85	-4.11	-20.41	.28	.97 N	510.5	89.0	7.7	17.5	.00	.0	06-19-85	37.5	2.9	2.6	.27	1.99

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes: NA - Not Applicable; NC - Not Calculable; NE - Negative Earnings; NM - No Meaningful Figure; Q - First Quarter; S - First 6 Months; N - First 9 Months; F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

1986 Cosmetics PREVIEW

DRUG STORE NEWS

Spring colors to awake sleepy cosmetics sales

Sassy without being overwhelming. Subtle but not dull.

The spring color palette for 1986 is just what customers are seeking as they emerge from the cold winter.

For retailers, the new colors and new products headed for shelves should also bring sales out of the doldrums.

Winter 1985 and Christmas saw consumers holding back somewhat in cosmetics purchases. Now, the experts say, there is pent-up demand for new items. The forecast, say vendors and retailers, is for volume to jump 8% to 10% over last spring's sales. And, since price hikes are only modest, that means unit growth will be up, too.

"The colors for spring," says Roz Daiboch, vp product development for Maybelline, "are fresh, clean colors."

The major cosmetics vendors are currently selling-in spring promotions. Buy-in is strong and retailers are clearing floor and shelf space for the new sku's. Colors range from soft corals to dreamy blues. "We are seeing a great deal of purples, pinks and reds," says one buyer.

L'Oreal's director of product development Linda Harris sums up the new season like this: "Colors will be inspired by clothing where we are seeing a definite Watteau influence with ruffled collars. It will be a soft look set off by a dreamy look for the eyes."

Spring color and product launches are crucial to drug store retailers. After Christmas, spring is the next biggest season.

Adds Harris, "Even if the consumer can't afford a new spring outfit, she can update her look with cosmetics."

Colors, like fashion, go in cycles. The new colors, Harris notes, hint that people are not unhappy with the way things are shaping up.

"These are not off-the-wall colors and it shows people are pleased with status quo."

She also says spring colors are a nice bridge between the quiet winter colors and the more daring summer shades.

1986 Cosmetics PREVIEW

State of the industry:

Although 1985 sales were not as high as buyers had hoped, the drug store cosmetics business is quite healthy.

Ever since the 1970's, when women headed to work, mass outlets have been gaining on department stores. Afterall, who has time to shop for color at a department store anymore?

At the same time, manufacturers for mass outlets have become smarter. They debut colors and new products judged by the American woman to be as superior as the pricier offerings at department store counters.

For example, just 10 years ago, department stores controlled the cosmetics business. Now, drug stores command almost 42% of all sales; outpacing department stores with only a 36% share.

Women may prefer a department store, where sales help is on call, for the purchase of skin care, but when it comes to color cosmetics, drug stores are the place to be.

Cosmetics sales in chain drug stores hit $1.35 billion in 1984, an increase of 13.1%. That growth outpaced sales in areas such as toys, photo, general merchandise and proprietary drugs. What's more, volume has soared 35% since 1979. Cosmetics play an integral role in any drug store with sales contributing 5.3% of total drug store volume.

Following are the experts predictions for eyes, lips, face and nails for 1986, as well as a look at some new products:

EYES:

Perhaps the first area a woman wants to have featuring the latest in color is her eyes. This year is no exception. L'Oreal wants to transform women from the "dreariest winter" to sizzling spring with its trio eye shadows. Its Once Upon a Spring collection includes two dazzling eye assortments. The first—Lace/Heather/Lupine—reflects the flowery images of spring. The chamois/bleufleur/Ciel collection helps create a dream like look for the eyes. Both Shadow Riche Trios are priced at $5.25.

Revlon is taking its customer to Los Angeles this season, at least in its color collection, that is. Although Revlon's colors are bold for spring, the palatte for eyes is gentler, says Nancy Risdon, spokesman. Revlon suggests the eyes balance hot colors elsewhere on the face. The newest technique, says Risdon, is not to blend, rather to wear a variety of contrasting pastels together. The Los Angeles promotion includes the following colors for Revlon's immensely successful Custom Eyes kit: Wisteria, Society Mint, Tiger Lily, Baby Blue, Not Quite White and Taupestar. The suggested price of the refill is $2.10.

Del Laboratories Inc. expects women will get more creative with their eyes this spring. To that end, Flame Glow features "Stripe It Rich," "Stripe It Royal" and "Stripe It Affluent." These are 2+2 Designer Eye pencils that are double-ended split lead pencils. This allows for four contemporary eyeliner shades in one pencil. Plus, the pencils are collagen-enriched for smooth and even application. Flame Glow has three different pencils which are coordinated with three new shadow kits.

At Maybelline, the emphasis will not be on one color, rather a collage of colors. The theme this year is "Catch a Bouquet of New Spring Shades."

Max Factor's new spring collection is built around peaches, pinks, lavenders, blues and white. The theme: Brights in Soft Focus."

Cosmetics kits took the industry by storm two years ago and sales have not let up since. Flame Glow has a bevy of new Soft Totes with six new shadow combinations. Jordache, also, has a host of hot new kits.

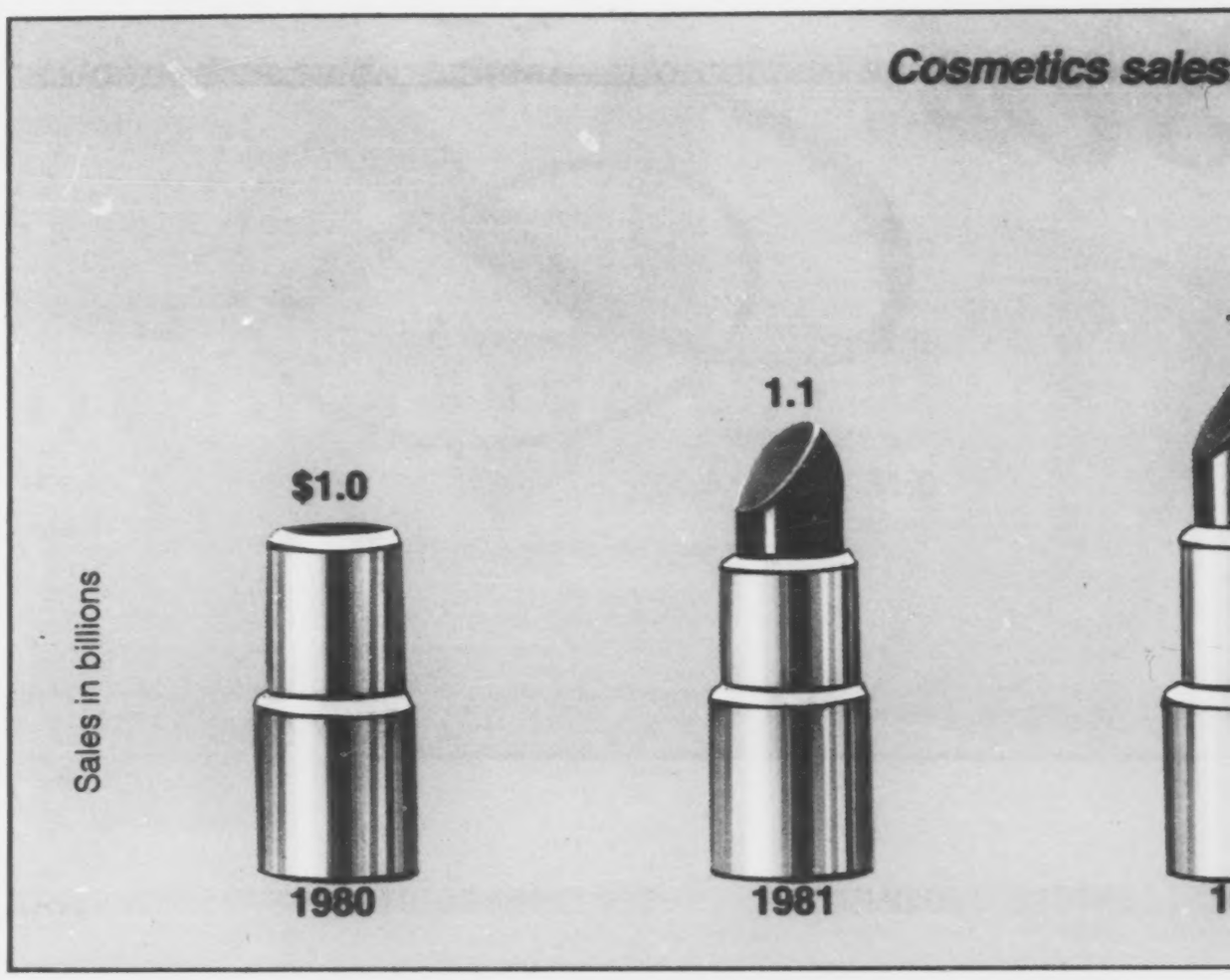
Consumers like the kits because it is an easy way of putting together a group of colors that mix well together. In a sense, kits do away with the need for highly trained sales help—the kit does it all.

"For spring we are seeing bright pastels," says Norman Greif, president of Jordache cosmetics. Jordache is right on cue with its spring collections called Sassy Eyes. Greif predicts women will continue to wear at least two colors of eye shadow with whites and beiges playing a greater role than ever in 1986.

He reports very strong movement of Jordache kits at prestigious outlets such as The Broadway, which from July to December 1985 moved over 500,000 pieces. Chain drug stores are also enjoying phenomenal success with Jordache cosmetics, buyers confirm.

LIPS:

Cracked from the winter's cold, lips will need plenty of attention this spring.



To warm them up, Flame Glow is getting hot and steamy with a sensuous trio of three lip essentials including Flame Glow Hours Longer Lipstick, Flame Glow Double Shine Plus Color Lip Gloss and Flame Glow Professional Lip Liner Pencil. The colors are hot: Red Hot, Steamy Pink and Nude.

Things do not cool off at Revlon with new Super lustrous lipstick colors including L.A. Pink, Magenta Del Rey, California Sunshine and Valley Violet. Its Formula 2 lipsticks will be available in 20th Century Pink and The Latest Coral.

Max Factor features sizzling lip colors such as Captivating Coral, Startling Pink, Arresting Orchid and Daring Rose.

Lip colors at L'Oreal are also dramatic bearing names such as Tulipe, Enchanted Coral and Golden Apple.

Indeed, the look for lips in 1986 will be dramatic. Lips will be bold, bright and sultry. For those who like to tone the look down, most companies are touting a white or beige to combine for a softer look.

"These new lip shades," says one buyer, "should revive sagging lip color sales."

FACE:

Cheeks need color, too. Revlon, L'Oreal and Flame Glow offer just the solution. Flame Glow features shades to offset the softer eye colors such as metallics and even lamé. L'Oreal's visuelle Powder plush colors are Tulipe and Shell. Revlon aims for the All-American look with "drenched in the outdoor" shades of Pink and Coral.

To put the finishing touches on the face colors, Max Factor serves up Blushing Peach and Freshwater Peach.

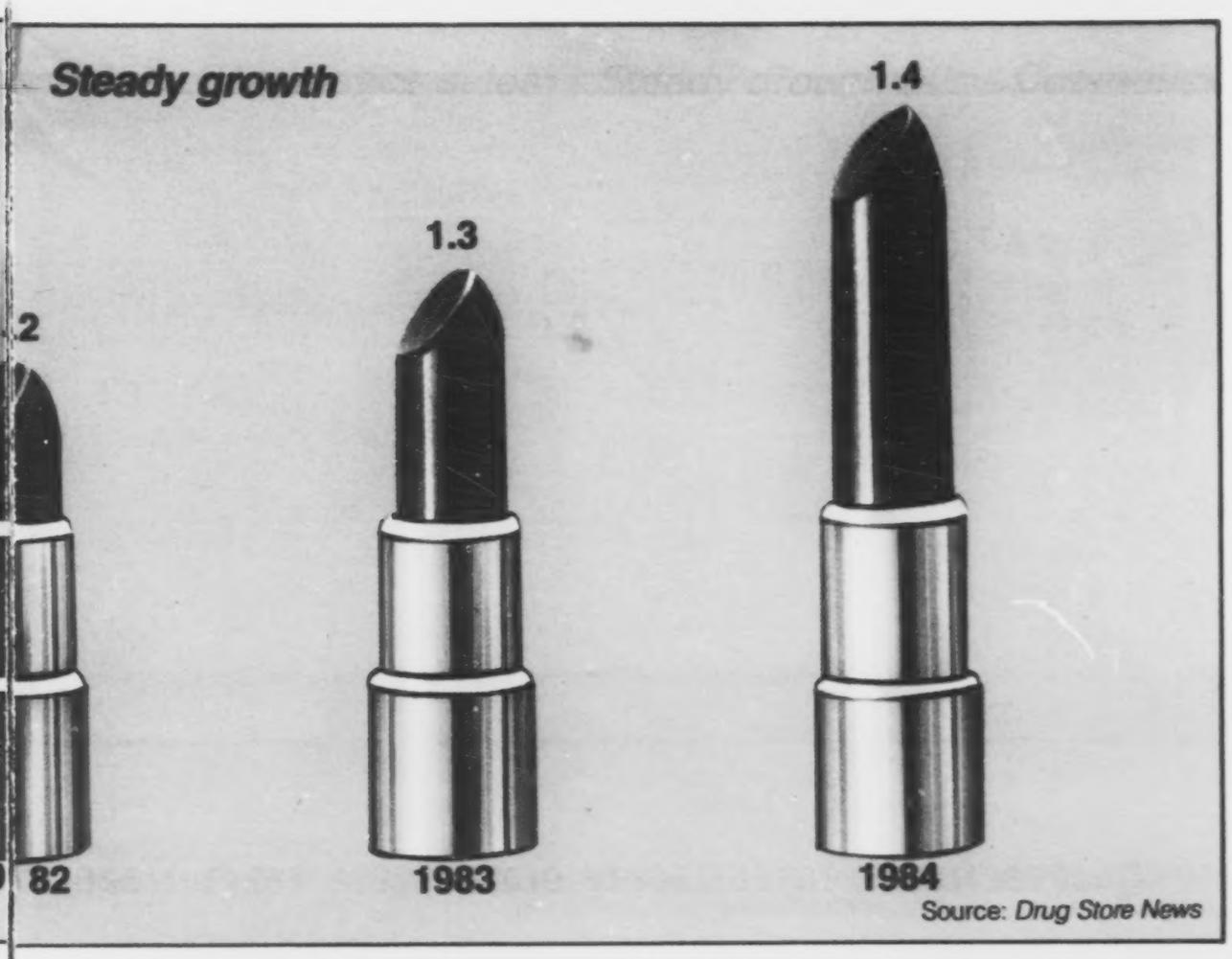
NAILS:

Perhaps no category is expected to go through as much change in 1986 as the nail category. Consumers are expected to get daring and team up more than one color on each nail. Revlon, for example, suggests women make short nails appear longer and more dramatic by parting one half a deep shade; the other a lighter shade.

NEW PRODUCTS:

New items, like new colors, keep customers coming to the drug store. Spring 1986 brings with it a plethora of innovative and exciting new items and promotions.

Flame Glow will be introducing a new mascara called Gentle Performance Mascara. It is an advanced waterbased formula that is gentle and nonirritating. Women with sensitive eyes will be glad to hear it is opthamologist tested and safe for contact wearers.



worlds—a waterproof mascara that thickens lashes and simply rinses off when washed," says LeVan. The suggested retail is $4.25.

Retailers eagerly await the host of mascaras. Mascara, they add, is one of the fastest turning sku's and these new technologies will boost sales. The trend, they add, is to longer lasting, yet safer mascaras suited for sensitive eyes.

As shoppers leave their winter blues behind, retailers are ready to greet them with what they need to start spring off right.

COSMETICIAN TIPS: Although these new colors will almost automatically move off the shelves, there are a few hints vendors offer to sales help that will guarantee sell-through.

For one, put the new colors in a high traffic area. Manufacturers put a great deal of effort into header card designs and these displays are sure to grab the shopper's attention.

The cosmetician or sales clerk should also be familiar with the spring colors so she can steer a shopper to them. Once a customer likes a particular nail shade . . . the matching lipstick should be suggested, too. Keep in mind the customer's skin tones when suggesting colors. The new palettes have a wide range for everyone.

Most important, wear these new colors. How can you sell products you don't wear? If your management allows it, do some simple makeovers using the new colors. A woman who tries, often buys.

Also, sales help in the cosmetics area should be aware of fashion changes. You can forecast new styles to women and then convince them of what new colors will flatter new designs.

The cosmetician must help direct shoppers to all of the new items flowing into the market. When you have a shopper's attention, ask her if she has seen the new items. The new mascaras debuting for the spring are a natural.

Finally, spray some spring-like scents into the department. And, if a shopper purchases a new fragrance for spring, show her why she needs new colors for the new season, too. A cosmetician can make a big difference in spring volume. For those without sales help, make sure color launches are in full view. Afterall, manufacturers have heavy ad salvos prepared and shoppers will be entering your stores with these new items on their minds.

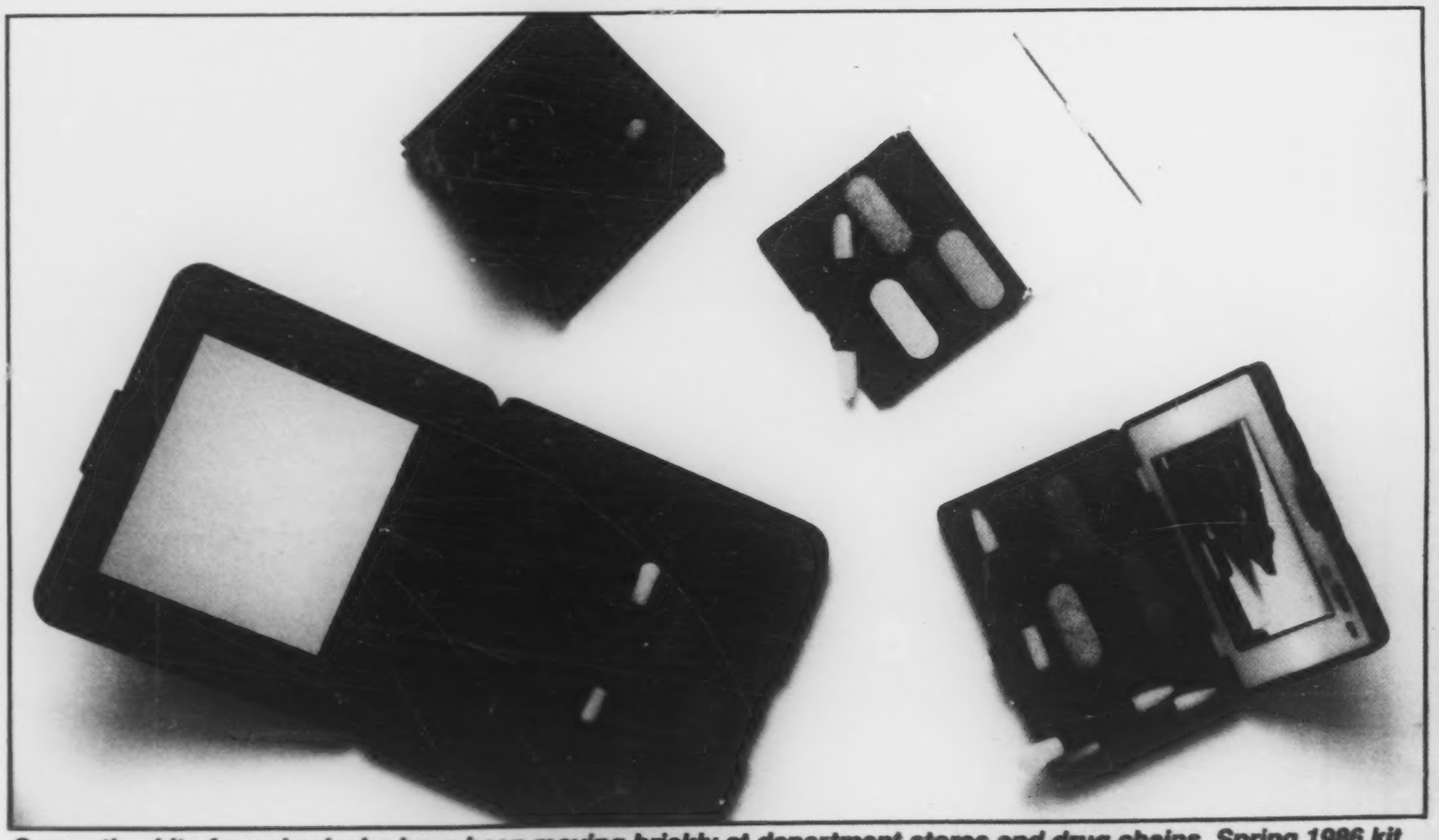
Jordache will launch a unique promotion teaming up its very popular fragrance with its cosmetics offerings. The products will be highly visible via advertisements in magazines such as *Glamour* and *Seventeen*.

L'Oreal will feature Kaleidolights, multicolored pencils with three ribbons of colors, as an in-and-out promotion.

Revlon is debuting Special Eyes Micropure Mascara, a mascara geared toward those with sensitive eyes. The new mascara is opthamologist tested and endorsed by Barnes-Hind for use with all contact lenses, including extended wear.

The need for a mascara for sensitive eyes was crucial, says Revlon because: 12 million women wear contact lenses; 50% of all women have sensitive eyes; and almost every woman wants a mascara that is not irritating. Revlon is also featuring a Special Eyes Micropure Mascara Remover.

Difficulty removing mascara is a common consumer complaint. Max Factor is solving that problem with its new Legendary Lash Mascara. Legendary Lash Mascara, says Sharon LeVan, vp marketing cosmetics of Max Factor, ensures a long lasting hold and it thickens, lengthens, styles and conditions lashes. And, she adds, when it is time for removal, Legendary Lash, which is waterbased, comes off easily with soap or any regular remover. Finally, customers need not compromise between waterproof mascaras that don't come off and nonwaterproof versions which run too easily. "Women can finally enjoy the best of both



Cosmetics kits from Jordache have been moving briskly at department stores and drug chains. Spring 1986 kit launches will keep volume rolling.

Tylenol

Continued from page 1

warning against taking any Tylenol capsules.

But by the end of the week, J&J announced it had discontinued manufacturing all of its over-the-counter medications in capsule form, including Tylenol, Sine-Aid, Co-Tylenol and Dimensyn, to prevent similar tampering episodes.

When news of the tainted Tylenol capsules broke on Monday, Feb. 10, a crisis alert went into effect in the nation's drug stores without an official recall from the FDA or McNeil. Here is how some of the nation's chains reacted.

• **Woodbridge, N.J.,** Monday, 11 p.m. Supermarkets General initiates a recall of all Regular and Extra-Strength capsules. Within 45 minutes all packages are removed from 127 Pathmark Superstores, 58 Pathmark Drug Stores and 11 Pathmark Food Stores in a five-state area, according to

At a press conference held at J&J's headquarters here earlier in the week, J&J chairman James E. Burke stressed that the poison which caused the woman's death did not come from McNeil's Fort Washington, Pa. plant, where the Tylenol capsules were manufactured during May Bob Wunderle, vp of public affairs for the chain. The packages are put in quarantine in each store and the names of the persons who pulled the packages off the shelves are recorded. No packages of the suspect lot number are found.

• **New York City.** Tuesday, 9 a.m. All Tylenol packages are removed from 26 Duane-Reade stores. "We didn't waste one second," says Duane-Reade president Eli Cohen. Altogether, 31 pieces from the suspect batch are found in three stores. Cohen says that McNeil or the FDA should "have helped us make some of the decisions during the emergency."

• **Chicago.** Tuesday. 8 a.m. Walgreens sends a message through its pharmacy computer system, Intercom, to pull Extra Strength Tylenol 24's in all of its 1,168 stores in 28 states and Puerto Rico. No suspect packages are found.

• **Cincinnati.** Tuesday afternoon. Kroger sends out a classified recall via telephone to remove Tylenol from the shelves. Over 2,100 Kroger, SupeRx, Hooks, and Dillon stores in 30 states respond. Packages from the suspect lot are discovered.

• **Melville, N.Y.** Tuesday morning. Genovese sends out a recall via phone to its 75 stores. The recall is based on news reports. Three stores were shipped the suspect lot number, but no packages are found. All packages are removed in less than one hour and consumers begin returning Tylenol packages.

For Johnson & Johnson, the poison capsules brought back the still unsolved tragedy of 1982, when seven people died after taking Extra Strength Tylenol laced with cyanide. The company spent $60 million to reinforce Tylenol's market share after the incident, and the stock bounced back from a low of 18.3% in 1982 to about 33% of the $1.6 billion analgesic market in 1985.

The latest cyanide scare also will cost the company millions of dollars, according to financial analysts. Tylenol accounts for 15% of J&J's earnings per share and rang up $550 million in sales in 1985, according to Mary Yost, a drug analyst for E. F. Hutton.

Drug expert David Saks of Morgan Olmstead, Kennedy & Gardner believes that J&J will lose about half of its $150 million capsule business and its stock will lose 50¢ per share. He said consumers will remain "loyal to the brand," but will switch to a different dosage form.

Asked how someone could have put cyanide in Tylenol capsules, which are packaged in a triply sealed container and package, Burke responded that despite such precautions, "There is no such thing as tamper-proof package."

John Walden, director of Public Affairs for the Proprietary Association, a consortium of over-the-counter manufacturers, agreed. "Essentially, 100% of our products have at least one seal and many have more, but we recognize that there is no such thing as a tamper-proof package and we don't think there can be," said Walden.

Foodtown

Continued from page 1

each store generating about $350,000 in sales per week. However, the chain has been pressed hard recently by a number of food retailers in the area offering the one-stop shopping convenience of a pharmacy plus food store and decided about six months ago to aggressively pursue the new format, according to Hammond.

Among the major food/drug retailers Foodtown competes with are Supermarkets General's Pathmark—its stores are generating 1,000 scripts per week—ShopRite and Quick Chek.

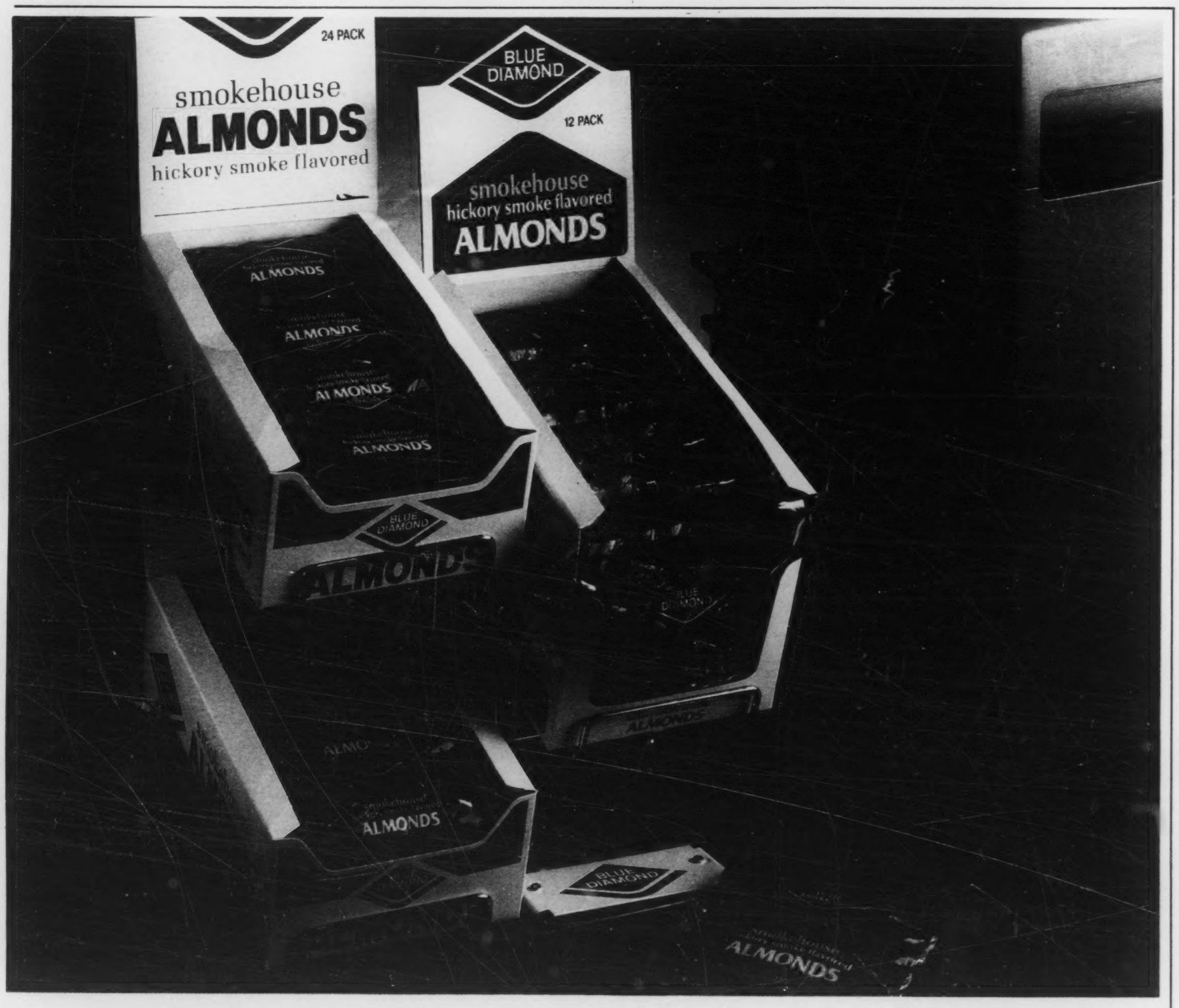
"The benchmark in the food industry is a total store gross profit of 21% and the net after tax of slightly less than 1%," said Bob Wunderle, vp of public affairs for Woodbridge, N.J.-based Supermarkets General. "Any other department with substantially higher gross margins and controllable costs is attractive," he said.

With pharmacy gross margins typically running at about 35%, food retailers have seized the opportunity to drive up the bottom line. However, opportunity does not knock without some out-of-pocket expenses.

Foodtown's Ken Hammond said that the cost of bringing a pharmacy into a food store is about $160,000—$40,000 for construction and fixtures, $40,000 for inventory and about $80,000 for two full-time pharmacists.

Correction

In reporting on Thrifty Drug's acquisition of the 15-store Drug King chain based in Van Nuys, Calif., in our Feb. 3 issue, *Drug Store News* stated that this was Thrifty's first acquisition since its founding 57 years ago. The sentence should have read that this is Thrifty's first acquisition of a *drug chain* since its founding 57 years ago.



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